

2016-03-11

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<http://hdl.handle.net/10026.1/10740>

Universia Business Review

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Servitization and co-opetition in the pharmaceutical distribution: Back to Basics?¹

Servitización y co-opetición en la distribución farmacéutica: ¿vuelta a los orígenes?



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I. INTRODUCTION

This paper explains the concepts of servitization and co-opetition, describing the results of a research project investigating the Portuguese and Spanish pharmaceutical industry.

The European Union (EU) pharmaceutical industry had an annual output of € 220 billion in 2012 and is expected to continuously grow until 2017, representing a strategic sector of the European economy (European Commission, 2014). This sector has a crucial economic and social impact, playing an essential role in the provision of medical and health care, particularly due to the R&D investments required for the development of new medication (Frías, 2001). This sector has been involved in a long process of implementation of a differentiation strategy based mainly on the development of new services. In addition to this, emphasis has also been placed in “service-driven global supply chains” and the role of customer relationship management and service relationships as well as the role of intra-firm relationships such as Internal Market Orientation (Lings, 2004; Gounaris 2008; Ruizalba et al. 2014) and inter-firm relationships management (Soares, Soltani and Liao, 2012).

As such, and because the European regulations are still behind in terms of industry standardisation, it is imperative that scholars and managers understand how servitization has contributed towards the



EXECUTIVE SUMMARY

This paper discusses how the pharmaceutical distribution sector has evolved in the past decades and the role of servitization in an ever changing market led by big players. An empirical analysis was conducted on Portuguese and Spanish distributors which enabled the identification of a detailed portfolio of services currently offered by the industry. These companies were compared in terms of current service provision, levels of implementation of added-value services, main reasons for implementation and levels of co-opetition within the sector. Some differences between both countries have been found in terms of their level and reasons for the implementation of value adding services. Major findings refer to the tendency of distributors to further develop their base services provision in the future aiming at achieving increased competitive advantage and loyalty. This raises concerns given that it can be interpreted as a “back to basics” strategy of low differentiation which may not be consistent with long term competitiveness.

RESUMEN DEL ARTÍCULO

Esta investigación analiza la evolución de la distribución farmacéutica en las últimas décadas así como el papel de la servitización en un mercado en continuo cambio y liderado por grandes actores. Se ha realizado un análisis empírico en distribuidores de España y Portugal que ha permitido la identificación de un catálogo de servicios que actualmente se ofrecen en el sector. Se ha realizado un análisis comparativo de las empresas en virtud de la actual prestación de servicios, de los niveles de implementación de servicios de valor añadido, de las principales razones de lanzamiento de los servicios así como los niveles de co-opetición. Se han encontrado algunas diferencias entre ambos países en relación a los niveles de servicio así como a los motivos de implementación de servicios de valor añadido. Entre los mayores hallazgos cabe destacar la tendencia de los distribuidores de desarrollar en el futuro servicios básicos con la intención de desarrollar ventaja competitiva y fidelidad en sus clientes. Esto despierta cierta inquietud en la medida en que pueda ser interpretado como estrategia de baja diferenciación de “vuelta a los orígenes” que pueda no ser consistente con una competitividad a largo plazo.

development and shaping of the pharmaceutical industry. This paper focuses on servitization as a means to create added value to traditional offerings by developing new capabilities and improving customer processes. Servitization is interpreted as an instrument to simultaneously create long term relationships with customers, build entry barriers to competitors and generate new sources of financial benefits. Companies go beyond the core services strictly expected and establish stronger bonds with their customers. In doing so, this research also focuses on the level of establishment of co-opetitive relationships (Wu, Choi and Rungtusanatham, 2010), that is, relationships in which suppliers simultaneously compete and cooperate to achieve common goals. To investigate this, an empirical analysis has been conducted comparing the Portuguese and Spanish pharmaceutical distribution.

In an increasingly competitive market, customers expect more and whatever was before an order-winner quickly becomes a qualifier affecting the whole industry

2. WHAT IS SERVITIZATION?

Services have been defined as activities or performance provided to satisfy customer needs (Grönroos, 1990). In an increasingly competitive market, customers expect more and whatever was before an order-winner quickly becomes a qualifier affecting the whole industry. Companies need not only to attract customers but more importantly they need to retain them. This can be achieved though the development of long-term relationships adding mutual value through servitization.

Companies have adapted to these demands for added value and increased their product-service offerings, combining products and services to such a degree that sometimes it is impossible to separate them (Baines et al., 2009). Complete bundles and packages of solutions are provided to customers, referred to as product-service systems (PSS). This process is known as servitization. Servitization and PSS came to research interests propelled by authors such as Neely (2008) and Baines et al. (2009, 2013ab). First suggested by Vandermerwe and Rada (1988), the term servitization is used to refer to the competitive advantage produced through the “process of creating value by adding services to products” (Baines, et al., 2009:547). Vendrell-Herrero, Bustinza and Arias (2014) affirm that servitization has been described as the provision of service as a complement to manufacturing and also commercialization of products generating higher economic margins. In turn, Baines et al.

(2013:638) state that “servitization is the process of transforming manufacturers to compete through product-service systems (PSSs) rather than products alone”.

Baines et al., (2013) suggest a categorisation of services that includes base, intermediate and advanced levels. Base services refer to those added that are directly associated to the product offerings. In intermediate services, the supplier can offer more or less complex services, but only when are formally requested by the customer and with the supplier not knowing in detail what is the true nature of the customer business. Whereas, in advanced services, the supplier perfectly understands the nature of the customer’s business and the processes that are embedded in the service offering. The main difference between intermediate and advanced service levels is that in the first the supplier does not get fully involved in the customer business whilst in the second he does (Baines et al., 2009).

Baines et al. (2009:558) refer that the majority of findings come from case studies and summarize the main reasons that lead organisations towards the implementation of servitization. These include financial (e.g. revenue stream and profit margin), strategic (e.g. competitive opportunities and advantage) and marketing drivers (e.g. customer relationships and product differentiation). They identify that the motivations and resulting benefits go beyond profitability. By adding services to their product offerings, companies set themselves apart from their competitors, developing advantages (Gebauer et al., 2006).

It is not possible to discuss servitization without considering the relationships established within and between companies. This is particularly the case in the pharmaceutical distribution, in which wholesalers are organised under the form of cooperatives and private companies. These companies compete and collaborate simultaneously in order to satisfy their customers’ needs and increase their market strength. This is commonly referred to as ‘co-opetition’. First defined by Ray Noorda, CEO of Novell (1993; cited by Nalebuff and Brandenburger, 2002:4), co-opetition refers to situations in which two competing suppliers (of a given buyer) cooperate towards the achievement of common buyer goals (Wu, Choi and Rungtusanatham, 2010).

KEY WORDS

Servitization, Co-opetitive relationships, Pharmaceutical distribution

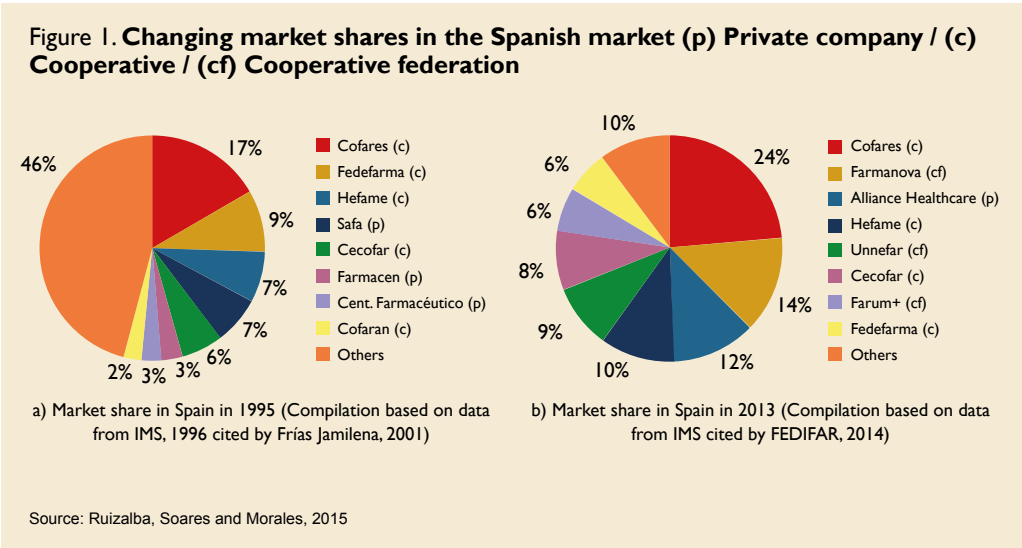
PALABRAS CLAVE

Servitización, Relaciones co-opetitivas, Distribución farmacéutica

3. THE PHARMACEUTICAL DISTRIBUTION

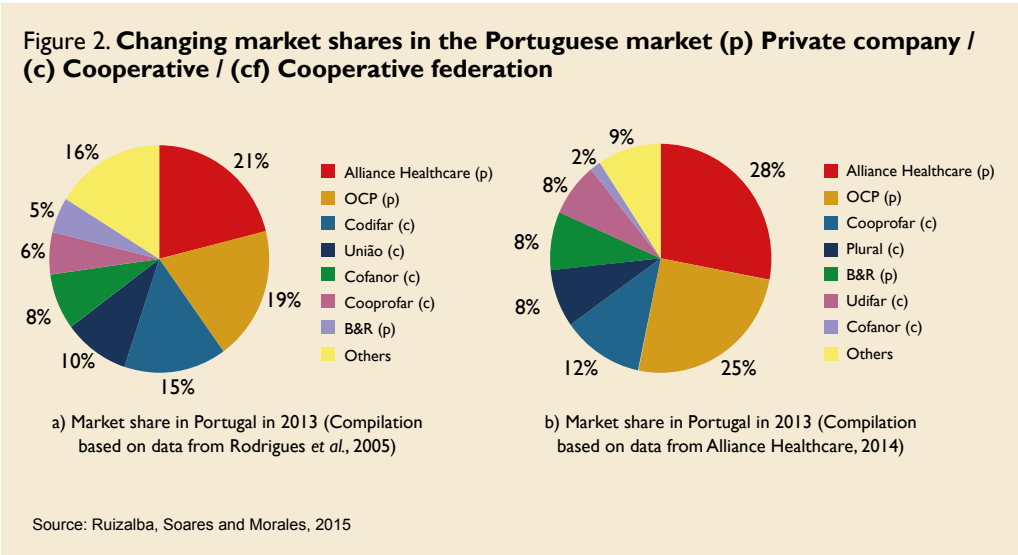
The pharmaceutical distribution sector in Spain commenced its development between the 1930 and the 1960s, when 24 new distributors were founded. The majority of them were incorporated under the cooperative form integrated by pharmacy owners in specific regions. By the end of the last century, 32 out of the 41 players were still cooperatives while the rest were private companies. Although with some marginal corporate operations in the 80s and 90s, it has been during the new century that numerous corporate movements have occurred, including not only mergers and acquisitions but also different cooperative integrations and federations. The general situation of the Spanish economy facilitated this process because since 1994, the increasing growth rate has been uninterrupted and equal to, or greater than, the average rate of other European countries (Martín-Peña and Díaz Garrido, 2008). All these corporate changes had a significant impact on the market split. In 1995 the top 8 companies had just over 50% of the market share what implies a fairly fragmented market, whereas in 2013 they increased to almost 90%. Figures 1 a) and b) below illustrate these market share changes.

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Conversely, the pharmaceutical distribution sector in Portugal did not start to flourish until the 1960s-1990s when more than 20 distribution companies were founded. From those 20 newcomers, 5 were cooperatives and the rest were private companies. As opposed

to what occurred in Spain, the consolidation process commenced in 1985 and intensified in the nineties with various takeovers by both private companies and cooperatives. Due to that early process of consolidation, the market was relatively concentrated by 2003 already when the top 7 wholesalers had close to 85% of the market share. That decrease in the market fragmentation has continued and in 2013 the seven biggest companies accounted for more than 90% of the market, as shown in **figures 2 a) and b).**



There are three differences that deserve to be highlighted: (1) The slower development towards a modern configuration of the Portuguese industry; (2) The balanced presence of both private companies and cooperatives in Portugal, where the importance of cooperatives is notably higher; (3) The even higher level of concentration experienced in the Portuguese market due to an earlier period of consolidation.

It is reasonable to believe that in both markets, there are two key reasons behind the consolidation process. Firstly, the direct impact of new legislations introduced as a result of the reductions of public budget dedicated to medication. This in turn affected sales prices and reduced the contribution margins.

Secondly, the reduction of public health spending resulted in additional strains for pharmacies in terms of delays in reimbursements from the government, which impacted to wholesalers as billing periods

and stocks increased. Thus, consolidation of the industries was the natural response to the new circumstances. This evolution aimed not only to look for economies of scales and cost reductions but also to enhance the portfolio of services that were offered to pharmacies, which led to the servitization process of this sector. Another important factor that has contributed to the servitization process is that, in both countries, the commercial margin of pharmaceutical distributors is regulated and fixed by the administration (Frías 2001). Since they cannot increase their contribution margins they have to expand and compete through other strategies and the most used has been the development of servitization.

4. EMPIRICAL STUDY

Building upon Baines et al. (2013) categorization of services (into base, intermediate and advanced services) and Baines et al. (2009:558) identification of main motives for servitization implementation, this research aims at comparing the levels and types of services implemented in the Portuguese and Spanish pharmaceutical distributors. The suggested empirical research attempted to address the following questions:

- What is the current provision of services in the Portuguese and Spanish pharmaceutical distribution?
- How can these services be classified according to Baines et al. (2013) levels of service (base, intermediate and advanced)
- What is the relationship between the level of implementation in both countries and the:
 - a) Percentage of service availability
 - b) 2008 financial crisis
 - c) Implementation reasons (loyalty, competitive advantage and profit)
 - d) Intention to further develop these services
 - e) Levels of co-opetition

In order to investigate this, the data was collected through: (1) interviews, (2) the analysis of company websites and (3) the development of a questionnaire.

Step 1:

Interviews were conducted with six managers of main companies as well as with six academics regarding the categorization of services. The first outcome was a provisional list of services.



Step 2:

In order to further develop this list, all the websites from main distributors in both countries were analysed (more than 50). A selection of the most representative was undertaken, focusing on fifteen companies which enabled the identification of five main service types (added services, IT consulting, other professional services, training and divulgation services and third party services) which were further classified into the three levels of Baines et al. (2013).

Step 3:

A questionnaire was elaborated to understand the degree, reasons and intention for the development and implementation of services. A pre-test was conducted with four managers and two academics and their suggestions were included. The questionnaire included items regarding company type (private or cooperative), number of employees, number of customers, revenues in 2014 and geographical area. Likert scale questions were also included relative to currently offered services (launched before or after 2008, not offered) as well as the impact on: customer's loyalty, competitive advantage, revenues/profits, intention to further develop those services and the type of relationships developed with other companies (to examine co-opetition - based on Wu, Choi and Rungtusanatham, 2010; Soares, Soltani and Liao, 2012). These questions were repeated for all five categories of services: (1) added services, (2) IT consulting, (3) other professional services, (4) training and divulgation services and (5) third party services.

This questionnaire was distributed online followed in many cases by phone calls, emails and direct requests. A total of 30 distributors in both countries were approached and selected based on their market share and typology (private and cooperatives). The response rate was of 26.6% (8 companies, 4 from Portugal and 4 from Spain). This sample represents 45% of the market share in the pharmaceutical distribution of the Iberian Peninsula, given that the Portuguese market was €2,106m in 2013 (Alliance Healthcare, 2013) and the Spanish market size was €10,034m (Fedifar, 2014).

5. MAIN FINDINGS

5.1. Services currently offered

An analysis of the services portfolio has resulted in 25 different services grouped into 5 categories: (1) Additional services, (2) IT services, (3) Other professional services, (4) Training and divulgation and (5) Third party services. The level of implementation for each of these services is remarkably different. As shown in **Table 1**, the majority of distributors have introduced a broader offer only for the first category of additional services.

In Portugal only 7 out of the 26 identified services are offered on average compared to 14 services in Spanish companies. For example, Portuguese companies have shown a limited introduction of IT services whereas Spanish companies seem to be one step ahead in this area. All Spanish companies developed ERP software, whereas there is only one that offers it in Portugal. This software permits the pharmacist not only to manage their pharmacy stores but also to send product orders and manage communications with the wholesalers, allowing for the development of higher levels of interaction. This also creates an important entry barrier, as the pharmacist gets used to work with it and switching costs are high.

In the last category, third party services, Spanish distributors have introduced a higher variety of services.

5.2. Classification of service levels

Adopting Baines et al. (2013) service levels, the 5 types of services were further classified into three levels (as detailed in **Table 2**):

- a) **Base Services:** refer to the distribution itself. The customer only values the supply of products that basically comprises the logistics of storage and delivery. There is not much value-added and therefore few differentiation between companies.
- b) **Intermediate Services:** added services that tend to add-up to the delivery of base services. These improvements are in a related field to the base service already provided such as the supply of complement products/services. That means that all the services provided to improve the supply chain in terms of time, accuracy or cost should be considered as Intermediate Services. That includes, for example, IT services aimed to manage stocks, orders and more frequent delivery.



Table 1. **Services offering from each distributor in Spain and Portugal (based on website analysis) (Source: own elaboration).**

		SPANISH								PORTUGUESE						
		Cofares	Alliance H.	Hefame	Farmanova	Unnefar	Cecofar	Fedefarma	Farum +	Alliance H.	OCP	Cooprofar	Plural	B & R	Udifar	Cofanor
	Other health products distribution	X	X	X	X	X	X	X	X	X	X	X	X		X	X
	Other not health products distribution	X	X	X	X	X	X	X	X		X	X	X		X	X
	Special and urgent deliveries	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	Vaccines services	X														
	Dispose of medicines	X				X					X	X				
	Laboratories returns	X			X	X					X		X			X
	ERP software	X	X	X	X	X	X	X				X				X
	Software maintenance	X	X		X	X	X									
	Hardware maintenance	X			X	X	X									
	IT Training	X		X	X	X	X									
	Administrative and accountancy	X		X	X	X						X				
	Management consulting	X	X	X		X		X				X				
	HR and recruiting			X		X	X					X				
	Marketing and communication	X	X	X	X	X										
	Loyalty programs	X			X	X										
	Management training	X		X	X	X	X	X			X				X	
	Technical training	X		X	X	X	X		X		X	X			X	
	Social networks and internet				X											
	Magazines	X		X	X		X		X		X					
	Other publications	X				X			X							
	Financial services	X	X		X	X	X					X				
	Renovation and decoration	X		X	X	X		X				X				
	Occupational risk prevention					X									X	
	Data protection	X		X		X									X	
	Brand Management	X	X	X					X			X				

c Advanced Services: the outcome of these services goes beyond and is not limited to something related to the Base Service. The service offered creates enhanced value, that is, it engages “the customer in a relationship that has closer association with strategic repositioning and business process outsourcing than to sales of products and services” (Baines and Lightfoot, 2013:65).

Table 2. Levels of services types

SERVICES GROUP	DESCRIPTION	SERVICE LEVEL	SERVICES INCLUDED
1. Additional services	Services related to the core activity of sale and distribution (storage and delivery)	Base	Services related to the core activity of sale and distribution: Other health products distribution; Other not health products distribution; Special and urgent deliveries; Vaccines services; Dispose of medicines; Laboratories returns.
2. IT services	Sales, installation, maintenance and training of IT systems	Intermediate	Services aimed to introduce the utilization of IT systems: ERP software; Software maintenance; Hardware maintenance; training related to IT.
3. Other professional services	Accountancy, business advisory, HR, etc.	Advanced	Other professional services: Administrative and accountancy; Management advice; HR and recruiting; Marketing and communication; Loyalty programs.
4. Training and divulgation	Training about different contents and publications (magazines, technical notes).	Intermediate	Training and divulgation services: Management training; Technical training; Social networks and internet; Magazines; Other publications.
5. Third party services	Agreements with third party to incorporate their services in the wholesaler offering.	Advanced	Services provided by third party: Financial services; Renovation and decoration; Occupational risk prevention; Data protection; Brand management.

Source: Ruizalba, Soares and Morales, 2015; based on Baines et al., 2013

5.3. Service implementation

a) Percentage of service availability

Table 3 below shows that the only service that is offered by all companies is collaboration with the return of medicines to laboratories. The service most offered by all (87.5%) is magazines design and publishing, supply of not-health products and urgent services or special delivery.

b) The 2008 financial crisis

The data collected also allowed the understanding of levels of implementation of added services before and during the financial

Table 3. Levels of implementation of services by percentage of implementation (in both countries per type of service)

SERVICES OFFERED	PERCENTAGE OF DISTRIBUTORS THAT OFFER THE SERVICE
Collaboration with the return of medicines to laboratories	Services offered by 100%
Magazines design and publishing Supply of not health products Urgent services or special delivery	Services offered by 87.5%
Supply of medical devices and health products Vaccines Destruction/recycling of medicines Marketing and communication Training courses and programmes Technical courses Other publications, reports, and technical notes	Services offered by 75%
Accountancy and management Loyalty programs	Services offered by 62.5%
Job vacancies Social media and internet courses Selling and instalation of management software Software maintenance Hardware maintenance	Services offered by 50%
Financial services Decoration/restyling Data protection Training and courses about IT	Services offered by 37.5%
Brand management	Services offered by 25%
Prevention of risks at work	Services offered by 12.5%

crisis as well as services not currently offered (see **Table 4**). Services launched during the 2008 economic crisis were collaboration with the return of medicines to laboratories (50%) and destruction/recycling of medicines (50%). With 37.5% of results, the following services appear in second place: supply of not health products, urgent services or special delivery, vaccines, accountancy and management, social media and internet courses, magazines design and publishing, other publications, reports, and technical notes and data protection. This seems consistent with base level provision and ensuring companies remain competitive.

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Table 4. Levels of implementation of the service provision identified for both countries (before and during the 2008 financial crisis)

SERVICE TYPES AND CORRESPONDING SERVICE LEVELS (BASED ON BAINES ET AL., 2013)		IMPLEMENTATION LEVEL (RESULTS IN PERCENTAGE)		
		Before 2008	During crisis	Not on offer
Additional services (Level: BASE)	Supply of medical devices and health products	50%	25%	25%
	Supply of not health products	50%	37.5%	12.5%
	Urgent services or special delivery	50%	37.5%	12.5%
	Vaccines	37.5%	37.5%	25%
	Destruction/recycling of medicines	25%	50%	25%
	Collaboration with the return of medicines to laboratories	50%	50%	0%
IT Services (Level: INTERMEDIATE)	Selling and installation of management software	37.5%	12.5%	50% (from which 75% are from Portugal)
	Software maintenance	37.5%	12.5%	50% (from which 75% are from Portugal)
	Hardware maintenance	37.5%	12.5%	50% (from which 75% are from Portugal)
	Training and courses about IT	25%	12.5%	62.5% (from which 60% are from Portugal)
Other Professional Services (Level: ADVANCED)	Management consulting	25%	12.5%	62.5%
	Accountancy and management	25%	37.5%	37,5%
	Job vacancies	25%	25%	50%
	Marketing and communication	37.5%	37.5%	25%
	Loyalty programs	25%	37.5%	37,5%
Training/ divulgation (Level: INTERMEDIATE)	Training courses and programmes	50%	25%	25%
	Technical courses	50%	25%	25%
	Social media and internet courses	12.5%	37.5%	50%
	Magazines design and publishing	50%	37.5%	12.5%
	Other publications, reports, and technical notes	37.5%	37.5%	25%
Third party services (Level: ADVANCED)	Financial services	37.5%	0%	62.5%
	Decoration/restyling	12.5%	25%	62.5% (80% of these 62.5% are from Portugal)
	Prevention of risks at work	12.5%	0%	87,5%
	Data protection	12.5%	37.5%	62.5% (75% of these are from Portugal)
	Brand Management	0%	25%	75%

c) Implementation reasons (loyalty, competitive advantage and profit)

Following Baines et al. (2009:558) motives for servitization implementation, Table 5 summarizes the three main reasons for implementation focusing on generating customer loyalty, profits and competitive advantage. The **Table 5** shows results and also a breakdown per country.

Table 5. Main Reasons for the implementation of value adding services

TYPES OF SERVICES	LOYALTY	PROFIT	COMPETITIVE ADVANTAGE
Additional services (Base)	5.12 (S: 4.75) (P: 5.5)	4.12 (S: 4.5) (P: 3.75)	5.12 (S: 5) (P: 5.25)
IT Services (Intermediate)	4 (S: 5) (P: 3)	3.5 (S: 4.5) (P: 3)	3.87 (S: 4.75) (P: 3)
Other Professional Services (Advanced)	3.87 (S: 4.75) (P: 3)	3.12 (S: 4) (P: 2.25)	4 (S: 5) (P: 3)
Training and divulgation (Intermediate)	3.87 (S: 4) (P: 3.75)	3 (S: 3.75) (P: 2.25)	4.12 (S: 4.5) (P: 3.75)
Third party services (Advanced)	3.5 (S: 4) (P: 3)	3.37 (S: 3.75) (P: 3)	3.62 (S: 4.25) (P: 3)

(results in terms of statistical mean – measured through a 1-7 Likert scale)
where S= Spain and P= Portugal

Unlike what would be anticipated, main reasons to implement these services did not always come from a solid focus on profit as it could be initially expected, with competitive advantage leading the way for all five categories.

In relation to the three main motives of implementation the highest value was for the additional services (Base) (Loyalty: 5.12 and competitive advantage 5.12), followed by training and divulgation (Intermediate) (competitive advantage: 4.12).

d) Intention to further develop these services

Regarding the intention of development of these services in the future, those with higher results are: additional services (5.5), training and divulgation (4.5), consultancy and management (4.25) and IT consultancy (3.62) (see **Table 6**). According to the three levels of service (Baines et al., 2013), the main intention is to first maintain and develop base level services, secondly Intermediate level and thirdly advanced services.

Table 6. Intention to further develop the service provision

TYPES OF SERVICES	DEVELOPMENT INTENTION
Additional services (Base)	5.5 (S: 5.5) (P: 5.5)
IT Services (Intermediate)	3.62 (S: 4.25) (P: 3)
Other Professional Services (Advanced)	4.25 (S: 5.25) (P: 3.25)
Training and divulgation (Intermediate)	4.5 (S: 5) (P: 4)
Third-party services	4.25 (S: 4.5) (P: 4)

(results in terms of statistical mean – measured through a 1-7 Likert scale)
where S= Spain and P= Portugal

f) Levels of co-opetition

Results show a higher level of co-opetiton in Portugal (5.75) than in Spain (4.75). This seems coherent with the remaining findings, since Spain showed to outdo Portugal in the levels of implementation of the majority of services offered, revealing to be a more mature and developed industry. The Spanish market seems to be more divided and competitive where the sector is still lagging behind showing opportunities for further development. Moreover, because the Portuguese market seems to offer a lesser variety of services, Portuguese companies face higher pressures and need to compete but also collaborate to be able to

provide additional service offerings that they cannot themselves provide.

6. CONCLUSIONS

This paper suggests that co-opetition, strategic factors (customer loyalty, profitability and competitive advantage) and willingness towards development of future services are key variables for the pharmaceutical industry. Key categories of services were also identified.

The concept of servitization has been investigated under different denominations which has enriched the field generating various definitions from several disciplines. Overlapping and even potentially conflicting dimensions and concepts have been considered in these definitions. Although it is clear for the research community what servitization is, for others the literature still lacks a comprehensive and consensual definition that clearly identifies the boundaries of this concept.

Following this, we suggest that a comprehensive definition of servitization should consider most of these elements:

- improvement of processes and capabilities
- competition through the development of product-service system instead of products only
- adoption of a new business model
- creation of mutual value (bi-directionality)
- development of consistent intra and inter-firm channels of communication,
- co-creation of solutions (between servitized and serving firms)
- mutual learning and collaboration in the design and delivery of services
- generation of new sources of revenue, higher performance, long term relationships and sustainable competitive advantage.

This research could be of interest for managers in different sectors as it explores servitization, broadening the application of such strategy and giving some clues about how its implementation should be done and analysing the motivation behind offered services.

Main contributions can be summarized as follows:

Contribution 1: analysis, discussion and identification of the types of services provided by pharmaceutical distributors (summarized in **Table 1**). This was the first time that such an analysis was conducted for the Portuguese and Spanish markets.



Contribution 2: application of Baines et al. (2013) three levels of service to the pharmaceutical sector for the first time.

Contribution 3: development of a questionnaire used to conduct an empirical analysis to investigate the offer/availability of services identifying the:

- a) percentage of distributors that provide the services
- b) services launched before and during the 2008 financial crisis
- c) main reasons for the implementation of these services (loyalty, competitive advantage and profit)
- d) intention to further develop these services and
- e) levels of co-opetition in both markets

A limitation is that, due to the sector concentration and small number of players, it revealed difficult to increase sample size. However, those respondents represent 45% of the distribution market share.

In regards to suggestions for further research, this analysis could also be extended to other EU countries since this is a strategic sector. It is also suggested that future studies consider multi-level analysis including other players such as pharmacy stores (customers) and laboratories (suppliers). This is suggested in order to investigate how they actually implement these services for their servitization strategies and the gaps between levels. Regarding co-opetition, it would also be interesting to investigate which service types have common providers, in which do companies' co-opete and the reasons behind the higher co-opetition levels.

Practitioners may find interesting the fact that the majority of players value the most the provision of additional services and training and divulgation. More than focused on profits, distributors have stated that these deliver to them both loyalty and competitive advantage. However, this is not consistent with what the servitization theory has shown.

Although this seems to be the overall perception in the industry, it is here argued that the provision of base services alone will not provide companies with a sustainable competitive advantage in the long term since most of these services can easily be copied by competitors. The true competitive advantage will come from the development of advanced services that can further improve processes and capabilities which seem to be currently less valued by distributors in their market development intentions. We call the attention to the industry providers to the gaps generated by the lack of advanced

service offerings, as it is in fact a source of interesting business opportunities.

To conclude, due to the fact that the main decision is to develop base services in the future (Table 6) an important and thought-provoking question is raised on whether this means that distributors deliberately go “back to basics”? or are not they aware of the implications of this decision?

If they are deliberately focusing base services then they could be investing in low value adding services easily copied, not only by direct competitors but also by players from other industries (e.g., supermarkets, personal care stores, etc), and that could behave in reality as commodities.

Or is it just that they are doing “business as usual” with short term vision in which case they are not fully aware of the risks that this strategy comprises?

Whichever are the answers to these questions, this analysis clearly shows that the majority of distributors not only privilege base services but also indicate higher levels of intention for the development of this basic offering in the future. This demonstrates a cross-market opportunity for the attainment of sustained competitive advantage through the development of advanced services.

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NOTES

1. ACKNOWLEDGMENTS: We would like to thank everyone that has contributed to this research. Major role was played by the academics, managers and professionals that in the interviews helped with their experience in the design and implementation of the survey and to a better understanding of the sector. Moreover, this research has been possible thanks to the collaboration the cooperatives and private companies in Portugal and Spain, in particular, Farmanova a pharmaceutical Cooperative Group that has actively supported this research.

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